

# **Sheng Yu Steel Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2015 and 2014 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders  
Sheng Yu Steel Co., Ltd.

We have audited the accompanying consolidated balance sheets of Sheng Yu Steel Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2015 and 2014 of Yodogawa Shengyu (Hefei) High Tech Steel Co., Ltd (YSS), which were used as basis of the investment accounted for using equity method. YSS's financial statements had been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for YSS, is based solely on the report of the other auditors. The investment in YSS accounted for using equity method amounted to NT\$169,717 thousand and NT\$711,156 thousand, representing 2% and 7% of the Group's total assets as of December 31, 2015 and 2014, respectively. The investment loss recognized from YSS amounted to NT\$809,480 thousand and NT\$359,147 thousand, representing 1,409% and 59% of the Group's profit before income tax, and the other comprehensive income amounted to NT\$11,020 thousand and NT\$23,940 thousand, representing 20% and 87% of the Group's other comprehensive income for the years ended December 31, 2015 and 2014, respectively. As discussed in Notes 34 and 35 to the accompanying consolidated financial statements, these amounts were based on the investee's audited financial statements for the same reporting periods.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China ("ROC"). Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the ROC.

We have also audited the standalone financial statements of Sheng Yu Steel Co., Ltd. as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified opinion modified report.

March 15, 2016

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the ROC and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the ROC.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. As stated in Note 4 to the consolidated financial statements, the additional disclosures that are not required under generally accepted accounting principles were not translated into English.*

# SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014		LIABILITIES AND EQUITY	2015		2014	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,009,252	42	\$ 2,999,859	29	Short-term borrowings (Note 17)	\$ 171,227	2	\$ 151,706	2
Notes receivable (Note 9)	1,010	-	765	-	Notes payable (Note 18)	29	-	88	-
Trade receivables (Note 9)	501,749	5	792,749	8	Trade payables (Note 18)	190,855	2	224,240	2
Trade receivables from related parties (Notes 9 and 30)	34,688	1	23,692	-	Trade payables to related parties (Note 30)	75,070	1	110,884	1
Amounts due from customers for construction contracts (Notes 4 and 10)	16,205	-	4,961	-	Amounts due to customers for construction contracts (Notes 4 and 10)	9,082	-	1,199	-
Other receivables (Note 9)	29,464	-	82,622	1	Other payables (Notes 19 and 30)	318,671	3	360,005	4
Current tax assets (Note 24)	302	-	164	-	Current tax liabilities (Note 24)	50,548	-	108,423	1
Inventories (Notes 4 and 11)	1,348,377	14	1,945,989	19	Receipts in advance	10,986	-	13,126	-
Prepayments for purchase	18,136	-	156,130	2	Other current liabilities (Note 10)	<u>4,849</u>	<u>-</u>	<u>8,267</u>	<u>-</u>
Other financial assets - current (Notes 8 and 31)	115,694	1	64,772	1					
Other current assets	<u>4,704</u>	<u>-</u>	<u>4,190</u>	<u>-</u>	Total current liabilities	<u>831,317</u>	<u>8</u>	<u>977,938</u>	<u>10</u>
Total current assets	<u>6,079,581</u>	<u>63</u>	<u>6,075,893</u>	<u>60</u>	NON-CURRENT LIABILITIES				
NON-CURRENT ASSETS					Provisions (Note 10)	2,197	-	3,626	-
Available-for-sale financial assets - non-current (Notes 4 and 7)	44,271	1	49,380	-	Deferred tax liabilities (Notes 4 and 24)	62,148	1	60,560	-
Investments accounted for using equity method (Notes 4 and 13)	185,277	2	724,457	7	Net defined benefit liabilities (Notes 4, 5 and 20)	1,033,145	11	993,852	10
Property, plant and equipment (Notes 4 and 14)	2,726,381	28	2,664,723	26	Guarantee deposit	515	-	515	-
Investment properties (Notes 4, 5 and 15)	336,929	4	349,641	3	Other non-current liabilities	<u>2,076</u>	<u>-</u>	<u>2,001</u>	<u>-</u>
Computer software (Note 4)	1,392	-	3,501	-					
Deferred tax assets (Notes 4, 5 and 24)	227,493	2	218,730	2	Total non-current liabilities	<u>1,100,081</u>	<u>12</u>	<u>1,060,554</u>	<u>10</u>
Prepayments for equipment	9,838	-	52,954	1					
Refundable deposits	2,761	-	2,826	-	Total liabilities	<u>1,931,398</u>	<u>20</u>	<u>2,038,492</u>	<u>20</u>
Other financial assets - non-current (Notes 8 and 31)	36,500	-	60,000	1	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 13 and 21)				
Other non-current assets	<u>1,908</u>	<u>-</u>	<u>897</u>	<u>-</u>	Ordinary shares	<u>3,211,800</u>	<u>33</u>	<u>3,211,800</u>	<u>31</u>
Total non-current assets	<u>3,572,750</u>	<u>37</u>	<u>4,127,109</u>	<u>40</u>	Capital surplus	<u>992,084</u>	<u>10</u>	<u>921,236</u>	<u>9</u>
					Retained earnings				
TOTAL	<u>\$ 9,652,331</u>	<u>100</u>	<u>\$ 10,203,002</u>	<u>100</u>	Legal reserve	1,417,328	15	1,373,805	14
					Unappropriated earnings	<u>2,005,154</u>	<u>21</u>	<u>2,567,002</u>	<u>25</u>
					Total retained earnings	<u>3,422,482</u>	<u>36</u>	<u>3,940,807</u>	<u>39</u>
					Other equity	<u>65,068</u>	<u>1</u>	<u>60,590</u>	<u>1</u>
					Total equity attributable to owners of the Company	7,691,434	80	8,134,433	80
					NON-CONTROLLING INTERESTS (Note 21)	<u>29,499</u>	<u>-</u>	<u>30,077</u>	<u>-</u>
					Total equity	<u>7,720,933</u>	<u>80</u>	<u>8,164,510</u>	<u>80</u>
					TOTAL	<u>\$ 9,652,331</u>	<u>100</u>	<u>\$ 10,203,002</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 15, 2016)

# SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 22 and 30)	\$ 12,892,092	100	\$ 16,182,610	100
OPERATING COSTS (Notes 11, 20, 23 and 30)	<u>11,298,251</u>	<u>88</u>	<u>14,380,316</u>	<u>89</u>
GROSS PROFIT	1,593,841	12	1,802,294	11
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>196</u>	<u>-</u>	<u>692</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,594,037</u>	<u>12</u>	<u>1,802,986</u>	<u>11</u>
OPERATING EXPENSES (Notes 20, 23 and 30)				
Selling and marketing expenses	453,096	3	594,179	4
General and administrative expenses	234,282	2	245,735	1
Research and development expenses	<u>90,297</u>	<u>1</u>	<u>91,101</u>	<u>1</u>
Total operating expenses	<u>777,675</u>	<u>6</u>	<u>931,015</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>816,362</u>	<u>6</u>	<u>871,971</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES (Note 23)				
Other income	19,876	-	15,089	-
Other gains and losses	31,911	-	79,457	-
Finance costs	(3,676)	-	(4,015)	-
Share of net loss of associates	<u>(807,026)</u>	<u>(6)</u>	<u>(358,339)</u>	<u>(2)</u>
Net non-operating expenses	<u>(758,915)</u>	<u>(6)</u>	<u>(267,808)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	57,447	-	604,163	3
INCOME TAX EXPENSE (Notes 4, 5 and 24)	<u>147,835</u>	<u>1</u>	<u>182,424</u>	<u>1</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>(90,388)</u>	<u>(1)</u>	<u>421,739</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (Notes 21 and 24)				
Items that will not be reclassified subsequently to profit or loss				
Loss on remeasurement of defined benefit plans	(68,754)	-	(59,569)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	11,688	-	10,127	-

(Continued)

# SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	<u>2015</u>		<u>2014</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	\$ 10,035	-	\$ 24,806	-
Unrealized gain (loss) on available-for-sale financial assets	(5,109)	-	1,421	-
Income tax relating to items that may be classified subsequently to profit or loss	<u>(1,986)</u>	<u>-</u>	<u>(4,218)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(54,126)</u>	<u>-</u>	<u>(27,433)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (144,514)</u>	<u>(1)</u>	<u>\$ 394,306</u>	<u>2</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (91,948)		\$ 435,234	
Non-controlling interests	<u>1,560</u>		<u>(13,495)</u>	
	<u>\$ (90,388)</u>		<u>\$ 421,739</u>	
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (144,490)		\$ 406,321	
Non-controlling interests	<u>(24)</u>		<u>(12,015)</u>	
	<u>\$ (144,514)</u>		<u>\$ 394,306</u>	
EARNINGS (LOSS) PER SHARE (Note 25)				
Basic	<u>\$ (0.29)</u>		<u>\$ 1.36</u>	
Diluted	<u>\$ (0.29)</u>		<u>\$ 1.35</u>	

(Concluded)

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 15, 2016)

# SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Retained Earnings					Other Equity		Subtotal	Total	Non-Controlling Interests	Total Equity
	Ordinary Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings	Subtotal	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-For-Sale Financial Assets				
BALANCE, JANUARY 1, 2014	\$ 3,211,800	\$ 921,236	\$ 1,322,607	\$ 2,601,765	\$ 3,924,372	\$ 23,512	\$ 16,549	\$ 40,061	\$ 8,097,469	\$ 54,063	\$ 8,151,532
Appropriation of 2013 earnings (Note 21)											
Legal reserve	-	-	51,198	(51,198)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	(369,357)	(369,357)	-	-	-	(369,357)	-	(369,357)
Cash dividends distributed by a subsidiary	-	-	-	-	-	-	-	-	-	(1,109)	(1,109)
Change in percentage of ownership interest in subsidiaries (Note 26)	-	-	-	-	-	-	-	-	-	(10,862)	(10,862)
Net profit (loss) for the year ended December 31, 2014	-	-	-	435,234	435,234	-	-	-	435,234	(13,495)	421,739
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	(49,442)	(49,442)	19,108	1,421	20,529	(28,913)	1,480	(27,433)
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	385,792	385,792	19,108	1,421	20,529	406,321	(12,015)	394,306
BALANCE, DECEMBER 31, 2014	3,211,800	921,236	1,373,805	2,567,002	3,940,807	42,620	17,970	60,590	8,134,433	30,077	8,164,510
Appropriation of 2014 earnings (Note 21)											
Legal reserve	-	-	43,523	(43,523)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	(369,357)	(369,357)	-	-	-	(369,357)	-	(369,357)
Cash dividends distributed by a subsidiary	-	-	-	-	-	-	-	-	-	(554)	(554)
Change in capital surplus from investments in associate accounted for using equity method (Note 13)	-	70,848	-	-	-	-	-	-	70,848	-	70,848
Net profit (loss) for the year ended December 31, 2015	-	-	-	(91,948)	(91,948)	-	-	-	(91,948)	1,560	(90,388)
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	(57,020)	(57,020)	9,587	(5,109)	4,478	(52,542)	(1,584)	(54,126)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	(148,968)	(148,968)	9,587	(5,109)	4,478	(144,490)	(24)	(144,514)
BALANCE, DECEMBER 31, 2015	\$ 3,211,800	\$ 992,084	\$ 1,417,328	\$ 2,005,154	\$ 3,422,482	\$ 52,207	\$ 12,861	\$ 65,068	\$ 7,691,434	\$ 29,499	\$ 7,720,933

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 15, 2016)

# SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 57,447	\$ 604,163
Adjustments for:		
Depreciation expense	282,716	323,877
Amortization expense	2,319	3,737
Net loss on fair value change of financial assets and liabilities at fair value through profit or loss	259	3,216
Finance costs	3,676	4,015
Interest income	(19,473)	(14,386)
Dividend income	(368)	(603)
Share of loss of associate accounted for using equity method	807,026	358,339
Gain on disposal of associates	-	(2,493)
Impairment loss recognized on goodwill	-	9,608
Provision for loss on inventories	16,872	39,010
Others	3,581	(10,049)
Changes in operating assets and liabilities		
Financial assets held for trading	568	1,267
Notes receivable	(245)	838
Trade receivables	291,000	282,935
Trade receivables from related parties	(10,996)	13,588
Amounts due from customers for construction contracts	(11,244)	33,372
Other receivables	54,128	8,676
Inventories	479,083	(199,390)
Prepayments for purchase	137,994	(88,002)
Other current assets	(514)	6,916
Financial liabilities held for trading	(827)	(5,042)
Notes payable	(59)	(82)
Trade payables	(33,385)	13,562
Trade payables to related parties	(35,814)	(10,995)
Amount due to customers for construction contracts	7,883	(1,073)
Other payables	(32,233)	5,631
Provisions	(85)	(128)
Receipts in advance	(2,140)	(1,086)
Other current liabilities	(3,098)	(3,917)
Net defined benefit liabilities	(29,461)	24,778
Cash generated from operations	1,964,610	1,400,282
Interest received	18,503	13,997
Dividend received	368	603
Interest paid	(3,513)	(4,029)
Income tax paid	(203,321)	(197,337)
Net cash generated from operating activities	1,776,647	1,213,516

## CASH FLOWS FROM INVESTING ACTIVITIES

(Continued)



# SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Acquisition of investments accounted for using equity method	\$ (183,720)	\$ -
Disposal of subsidiaries	-	(4,373)
Acquisition of property, plant and equipment	(203,007)	(161,719)
Proceeds from disposal of property, plant and equipment	552	736
Decrease in refundable deposits	65	24
Acquisition of intangible assets	(210)	-
Increase in other financial assets	(27,422)	(28,732)
Increase in non-current assets	(1,011)	-
Decrease in non-current assets	<u>-</u>	<u>851</u>
Net cash used in investing activities	<u>(414,753)</u>	<u>(193,213)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	449,270	319,014
Repayments of short-term borrowings	(435,817)	(298,598)
Dividends paid to owners of the Company	(369,357)	(369,357)
Dividends paid to non-controlling interests	<u>(554)</u>	<u>(1,109)</u>
Net cash used in financing activities	<u>(356,458)</u>	<u>(350,050)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>3,957</u>	<u>5,492</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,009,393	675,745
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,999,859</u>	<u>2,324,114</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,009,252</u>	<u>\$ 2,999,859</u>

(Concluded)

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 15, 2016)

# SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Sheng Yu Steel Co., Ltd. (the “Company”) was incorporated in May 1973 and mainly engages in the manufacture, process and sale of cold rolled steel coils, galvanized steel coils, and pre-painted galvanized steel coils.

As of December 31, 2015, the Company’s shareholders were Yodogawa Steel Works Ltd. (YSW) - 52% (parent company and ultimate parent company); Toyota Tsusho Corporation - 11%; Fujiden International Corporation (an investee of YSW) - 1%; and other shareholders - 36%.

The Company’s shares have been listed on the Taiwan Stock Exchange since January 1997.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 15, 2016.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Group’s accounting policies:

- 1) IFRS 10 “Consolidated Financial Statements”

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities”. The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries and associates. In general, the disclosure requirements in IFRS 12 are more extensive, please refer to Notes 12 and 13 for related disclosure.

3) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive; for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required only for financial instruments will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015. Refer to Note 29 for related disclosures.

4) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under the previous IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified subsequently to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified subsequently to profit or loss are the exchange differences on translating foreign operations and unrealized gains (loss) on available-for-sale financial assets. The application of the above amendments did not have any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

5) Revision to IAS 19 “Employee Benefits”

The interest cost and expected return on plan assets used in previous IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

In addition, revised IAS 19 changes the definition of short-term employee benefits as “employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service”. The Group’s unused annual leave, which can be carried forward within 24 months after the end of the annual period in which the employee renders service and previously classified as short-term employee benefits, is classified as other long-term employee benefits under revised IAS 19. Related defined benefit obligation of such other long-term benefit is calculated using the Projected Unit Credit Method. This change did not affect unused annual leave being presented as a current liability in the consolidated balance sheet.

The application of the revised IAS 19 retrospectively starting from the year 2015 did not have impact on the Group. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Group elected not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

6) Recognition and measurement of financial liabilities designated as at fair value through profit or loss

Based on the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, for financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value attributable to changes in the credit risk of that liability is presented in other comprehensive income, and the remaining amount of change in the fair value of that liability is presented in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch, all gains or losses on that liability are presented in profit or loss.

In summary, the application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have impact on the Group.

b. New IFRSs in issue but not yet endorsed by the FSC

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014
	(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair

value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

#### Impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

#### 2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

#### 3) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

#### 4) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period.

In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

#### 5) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 13 and IAS 40 “Investment Property” were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

#### 6) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue

threshold); or

- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

#### 7) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

#### 8) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

#### 9) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The



Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

#### 10) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For readers’ convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail. However, the accompanying consolidated financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

The Group engages in the construction business, which has an operating cycle of over one year, the normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

See Note 12, Table 5 and 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries or currencies used are different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of

inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for its investments in associates. Under the equity method, investments in associates are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. The Group also recognizes the changes in the Group's share of equity of associates.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of the associate. If the Group's ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increased.

When a group entity transacts with its associates, profits and losses resulting from the transactions with the associates are recognized in the Group's consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

h. Property, plant, and equipment

Property, plant and equipment ("PPE") are stated at cost, less recognized accumulated depreciation.

PPE in the course of construction are carried at cost. Such assets are depreciated and classified to the appropriate categories of PPE when completed and ready for intended use.

Depreciation of PPE is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of PPE, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties (“IPs”) are properties held to earn rentals and/or for capital appreciation. IPs also include land held for a currently undetermined future use.

IPs are measured initially at cost, including transaction costs. Subsequent to initial recognition, IPs are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an IP, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

k. Intangible assets

Intangible assets with finite useful lives that are acquired separately are computer software, which are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The Group’s assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation; otherwise, they are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Available-for-sale financial assets (“AFS financial assets”), and loans and receivables.

i. AFS financial assets

AFS financial assets are non-derivatives that are designated as AFS. Fair value is determined in the manner described in Note 29.

Dividends on AFS equity instruments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on AFS equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

ii. Loans and receivables

Loans and receivables (including cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits and repurchase agreements collateralized by bills and bonds investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and may be subject only to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

## b) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of AFS equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

## c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Equity instruments issued by a group entity are classified as equity in accordance with the definitions of an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

Except the foreign exchange forward contracts, all the financial liabilities are measured at amortized cost.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns and allowances are recognized at the time of sale based on the seller's reliable estimate of future returns and allowances based on past experience and other relevant factors.

1) Sale of goods

Export sales are recognized when products are loaded onto shipping vessels in accordance with the sales terms, and domestic sales are recognized when products are delivered to and accepted by the customers.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Rendering of services

Revenue from process contracts and technical support service is recognized at the contractual rates as direct expenses and labor hours are incurred.

3) Construction revenue

Contracts to process steel plates are accounted for by construction contracts accounting.

4) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

o. Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs, exception to not applicable to this method. Variations in contract work, claims



and incentive payments are included to the extent the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet as receipts in advance, a liability account. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade receivables.

p. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Income taxes

Due to the unpredictability of future profit streams, the Company does not recognize deferred tax asset on tax losses. For the carrying amount of deferred tax assets in relation to unused tax losses, refer to Note 24. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Useful lives of PPE and IPs

The estimated useful lives of PPE and IPs are determined at each balance sheet date. In cases where the estimated useful lives of the assets are changed, depreciation expense would also change.

c. Impairment of investment in associate

The Group immediately recognizes impairment loss on its net investment in the associate when there are any indications that the investment may be impaired and the carrying amount may not be recoverable. The Group's management evaluates the impairment estimated by the associate's management based on the market conditions and industry development. In cases where the future recoverable amount is lower than the carrying value of the investment, impairment loss would be recognized.

d. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Cash on hand	\$ 1,354	\$ 1,331
Checking accounts and demand deposits	172,617	583,951
Cash equivalents		
Time deposits with original maturities less than 3 months	112,527	60,000
Repurchase agreements collateralized by bills and bonds with original maturities less than 3 months	<u>3,722,754</u>	<u>2,354,577</u>
	<u>\$ 4,009,252</u>	<u>\$ 2,999,859</u>

The market rate intervals rates of cash and cash equivalents were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Demand deposits (%)	0.01-0.60	0.01-0.60
Cash equivalent		
Time deposits with original maturities less than three months (%)	0.65-1.43	0.87-0.88
Repurchase agreements collateralized by bills and bonds with original maturities less than three months (%)	0.40-0.60	0.60-0.67

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Domestic investments</b>		
Unquoted shares		
Ascentek Venture Capital Co., Ltd.	\$ 6,100	\$ 6,648
<b>Foreign investments</b>		
Unquoted shares		
United Steel International Developments Co.	38,171	42,732
	<u>\$ 44,271</u>	<u>\$ 49,380</u>

## 8. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Current</b>		
Reserve account (Note 31)	\$ 3,283	\$ -
Pledged time deposits (Note 31)	5,909	5,697
Time deposits with original maturities more than 3 months	106,502	59,075
	<u>\$ 115,694</u>	<u>\$ 64,772</u>
<b>Non-current</b>		
Pledged time deposits (Note 31)	<u>\$ 36,500</u>	<u>\$ 60,000</u>

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES, TRADE RECEIVABLES FROM RELATED PARTIES AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Notes receivable		
Notes receivable	\$ 1,010	\$ 765
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 1,010</u>	<u>\$ 765</u>

(Continued)

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Trade receivables		
Trade receivables	\$ 508,537	\$ 799,537
Less: Allowance for impairment loss	<u>6,788</u>	<u>6,788</u>
	<u>\$ 501,749</u>	<u>\$ 792,749</u>
Trade receivables from related parties (Note 30)		
Trade receivables	\$ 34,688	\$ 23,692
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 34,688</u>	<u>\$ 23,692</u>
Other receivables		
Value-added tax refunds	\$ 15,033	\$ 60,147
Purchase commitment discounts	10,384	17,480
Others	<u>4,047</u>	<u>4,995</u>
	<u>\$ 29,464</u>	<u>\$ 82,622</u>
		(Concluded)

The average credit period for sales of goods was 30-90 days. In determining the recoverability of a trade receivables, the Group considers any change in the credit quality of the trade receivables since the date the credit was initially granted to the end of the reporting period. Most of the receivables have enhanced credit quality with irrevocable letters of credit, so the risk of impairment loss on trade receivables was assessed as limited.

The Group's transactions involved a large number of unrelated customers; thus, no concentration of credit risk was observed.

Aging analysis of trade receivables was as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Not past due	\$ 535,347	\$ 816,441
1-30 days	-	-
31-60 days	-	-
61-90 days	-	-
91-120 days	<u>7,878</u>	<u>6,788</u>
	<u>\$ 543,225</u>	<u>\$ 823,229</u>

Above analysis was based on the past due date.

The aging of trade receivables that were past due but not impaired was as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
91-120 days	<u>\$ 1,090</u>	<u>\$ -</u>

Above analysis was based on the past due date.

The allowance for doubtful trade receivables did not change in 2015. The movement for the year ended December 31, 2014 was as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2014	\$ 6,917	\$ 2,770	\$ 9,687
Add: Impairment loss recognized (reversal of impairment loss) on trade receivables	(129)	197	68
Effect of exchange rate changes	-	(28)	(28)
Disposal of subsidiaries (Note 26)	<u>-</u>	<u>(2,939)</u>	<u>(2,939)</u>
Balance at December 31, 2014	<u>\$ 6,788</u>	<u>\$ -</u>	<u>\$ 6,788</u>

The Group recognized impairment loss on trade receivables amounting to both NT\$6,788 thousand as of December 31, 2015 and 2014. These amounts mainly related to customers that were in severe financial difficulties. The Group did not hold any collateral over these balances.

#### 10. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS AND PROVISIONS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Amount due from customers for construction contracts</u>		
Construction costs incurred plus recognized profits to date	\$ 43,623	\$ 4,961
Less: Progress billings	<u>(27,418)</u>	<u>-</u>
Amount due from customers for construction contracts	<u>\$ 16,205</u>	<u>\$ 4,961</u>
<u>Amount due to customers for construction contracts</u>		
Progress billings	\$ 13,199	\$ 13,524
Less: Construction costs incurred plus recognized profits to date	<u>(4,117)</u>	<u>(12,325)</u>
Amount due to customers for construction contracts	<u>\$ 9,082</u>	<u>\$ 1,199</u>

The provision for construction warranties represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties. The estimate had been made on the basis of historical warranty trends.

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Warranties		
Current (included within other current liabilities)	\$ 1,789	\$ 2,109
Non-current	<u>2,197</u>	<u>3,626</u>
	<u>\$ 3,986</u>	<u>\$ 5,735</u>

Movements in the provision for construction warranties were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 5,735	\$ 6,765
Additional provisions reversed	(1,664)	(902)
Usage	<u>(85)</u>	<u>(128)</u>
Balance at December 31	<u><u>\$ 3,986</u></u>	<u><u>\$ 5,735</u></u>

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Finished goods	\$ 265,139	\$ 324,167
Work in progress	173,791	209,921
Raw materials	863,556	1,264,074
Supplies	33,644	131,267
Others	<u>12,247</u>	<u>16,560</u>
	<u><u>\$ 1,348,377</u></u>	<u><u>\$ 1,945,989</u></u>

The costs of inventories recognized as operating costs was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Provision for loss on inventories	<u><u>\$ 16,872</u></u>	<u><u>\$ 39,010</u></u>

## 12. SUBSIDIARIES

### Subsidiaries included in consolidated financial statements

Investor Company	Investee Company	Main Businesses and Products	<b>Percentage of Ownership</b>		Note
			<b>December 31, 2015</b>	<b>December 31, 2014</b>	
Sheng Yu Steel Co., Ltd.	Yodoko International Co., Ltd. (YI)	Manufactures and sells rolled steel for construction of buildings	78	78	
	Sheng-Shing Corp. (SS)	Manufactures and sells galvanized rolled steel	45	45	Note 1
YI	Yodoko International (HK) Ltd.	General investment	100	100	
Yodoko International (HK) Ltd.	Yodoko Building Material (Hangzhou) Co., Ltd. (YBMH)	Manufactures, processes and sells metal building materials	Note 3	Note 3	
SS	Sheng-Shing (Dongguan) Corp.	Manufactures and sells galvanized rolled steel	100	100	Note 1
	Sheng-Yu Trading (Dongguan) Corp.	Selling hardware, steels and import and export trading	100	100	Note 2

Note 1: As of December 31, 2015, the Company invested a total of NT\$50,322 thousand (US\$1,568,800) and held 45% equity of SS. Investment in which the Company holds less than 50%, but the Company can control financial, operation and personnel of SS is accounted for using the equity method and deems the investee as subsidiary. Sheng-Shing Corp. held 100% equity of Sheng-Shing (Dongguan) Corp. and deems it as subsidiary.

Note 2: SS invested US\$400 thousand to set up Sheng-Yu Trading (Dongguan) Corp. on July 11, 2014, which was approved by the authority in China.

Note 3: As discussed in Notes 13 and 26, YBMH was a subsidiary in consolidated financial statements before August 31, 2014.

### 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

#### Investments in associate

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Material associate		
Yodogawa-Shengyu (Hefei) High Tech Steel Co., Ltd (YSS)	\$ 169,717	\$ 711,156
Associates not individually material	<u>15,560</u>	<u>13,301</u>
	<u>\$ 185,277</u>	<u>\$ 724,457</u>

#### a. Material associate

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights (%)	
			December 31, 2015	December 31, 2014
YSS	Manufacturing, processing and selling galvanized steel coils (plates) and pre-painted steel coils (plates)	China (Hefei)	35.38	40

YSS issued new shares for cash in May 2015, and the Company invested additional NT\$183,720 thousand (US\$6,000 thousand). The shareholding percentage decreased to 35.38%. As of December 31, 2015 and 2014, the investment in YSS were NT\$1,388,640 thousand (US\$46,000 thousand) and NT\$1,204,920 thousand (US\$40,000 thousand), respectively. YSS was incorporated mainly to manufacture, process and sell galvanized steel coils (plates) and pre-painted steel coils (plates). During the year 2012 to 2013, YSS borrowed money from YSW and accounted for the loan at fair value. The Company recognized NT\$51,236 thousand capital surplus as its shareholding percentage in the NT\$128,089 thousand (RMB26,729 thousand) capital surplus recognized by YSS on the loan measured at fair value. When YSS issued new shares for cash in 2015, the Company did not invest at its original shareholding percentage and recognized NT\$70,848 thousand capital surplus. As of December 31, 2015 and 2014, the above-mentioned capital surplus was NT\$122,084 thousand and NT\$51,236 thousand, respectively. Since the construction in mainland China and the steel market conditions get worse continuously, YSS's turnover was far below its budget; therefore, the Company recognized NT\$554,331 thousand (RMB107,096 thousand) share of the net loss of subsidiaries and associate based on the Company's shareholding percentage in YSS's impairment loss of RMB302,703 thousand in September 2015.

YBMH, subsidiary originally included in consolidated financial statements, issued new shares for cash in August 2014 but the subsidiary Yodoko International (HK) Ltd. had not participated in capital increase by cash for YBMH; thus, the percentage of ownership decreased to 20.90%. The Company lost control of YBMH so the investment was accounted for using equity method (Note 26).



The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

YSS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Current assets	\$ 2,168,909	\$ 1,732,659
Non-current assets	1,367,972	3,037,743
Current liabilities	(2,935,468)	(1,988,110)
Non-current liabilities	<u>(121,716)</u>	<u>(1,003,913)</u>
Equity	<u>\$ 479,697</u>	<u>\$ 1,778,379</u>
Proportion of the Group's ownership (%)	35.38	40
Equity attributable to the Group	\$ 169,717	\$ 711,352
Unrealized gain or loss with associate	<u>-</u>	<u>(196)</u>
Carrying amount	<u>\$ 169,717</u>	<u>\$ 711,156</u>

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Turnover	<u>\$ 1,171,475</u>	<u>\$ 1,433,142</u>
Net loss for the year	\$ (2,257,630)	\$ (897,868)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (2,257,630)</u>	<u>\$ (897,868)</u>

The investment accounted for using the equity method and the share of profit or loss and other comprehensive income of the investment for the years ended December 31, 2015 and 2014 was based on the associate's financial statements audited by the auditors for the same years.

- b. Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
The Group's share of		
Net profit for the year	\$ 2,454	\$ 808
Other comprehensive income	<u>(745)</u>	<u>64</u>
Total comprehensive income for the year	<u>\$ 1,709</u>	<u>\$ 872</u>

The investment accounted for using the equity method and the share of profit or loss and other comprehensive income of the investment for the years ended December 31, 2015 and 2014 was based on the associate's financial statements audited by the auditors for the same years.

## 14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2015

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2015	\$ 491,938	\$ 1,926,795	\$ 9,125,645	\$ 50,964	\$ 292,819	\$ 43,350	\$ 11,931,511
Additions	-	14,493	129,975	10,229	37,802	44,285	236,784
Disposals	-	(3,106)	(104,706)	(2,373)	(12,333)	-	(122,518)
Effect of exchange rate changes	-	(43)	(525)	(52)	(106)	-	(726)
Reclassification	-	-	101,657	-	-	-	101,657
Balance at December 31, 2015	<u>491,938</u>	<u>1,938,139</u>	<u>9,252,046</u>	<u>58,768</u>	<u>318,182</u>	<u>87,635</u>	<u>12,146,708</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2015	-	1,336,019	7,640,338	41,583	248,848	-	9,266,788
Depreciation expense	-	63,138	196,675	2,539	7,652	-	270,004
Disposals	-	(1,988)	(101,068)	(1,978)	(11,491)	-	(116,525)
Effect of exchange rate changes	-	(9)	171	(22)	(80)	-	60
Balance at December 31, 2015	-	<u>1,397,160</u>	<u>7,736,116</u>	<u>42,122</u>	<u>244,929</u>	-	<u>9,420,327</u>
Net balance at December 31, 2015	<u>\$ 491,938</u>	<u>\$ 540,979</u>	<u>\$ 1,515,930</u>	<u>\$ 16,646</u>	<u>\$ 73,253</u>	<u>\$ 87,635</u>	<u>\$ 2,726,381</u>

For the year ended December 31, 2014

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2014	\$ 491,938	\$ 1,922,471	\$ 9,090,436	\$ 50,382	\$ 293,504	\$ -	\$ 11,848,731
Additions	-	6,421	108,978	2,619	6,131	43,350	167,499
Disposals	-	(2,200)	(48,548)	(2,162)	(5,859)	-	(58,769)
Disposal of subsidiaries (Note 26)	-	-	(8,259)	-	(1,189)	-	(9,448)
Effect of exchange rate changes	-	103	6,732	125	232	-	7,192
Transferred to expense	-	-	(23,694)	-	-	-	(23,694)
Balance at December 31, 2014	<u>491,938</u>	<u>1,926,795</u>	<u>9,125,645</u>	<u>50,964</u>	<u>292,819</u>	<u>43,350</u>	<u>11,931,511</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2014	-	1,257,593	7,466,197	41,737	246,865	-	9,012,392
Depreciation expense	-	79,918	219,314	1,664	7,580	-	308,476
Disposals	-	(1,512)	(45,093)	(1,862)	(4,844)	-	(53,311)
Disposal of subsidiaries (Note 26)	-	-	(4,117)	-	(930)	-	(5,047)
Effect of exchange rate changes	-	20	4,037	44	177	-	4,278
Balance at December 31, 2014	-	<u>1,336,019</u>	<u>7,640,338</u>	<u>41,583</u>	<u>248,848</u>	-	<u>9,266,788</u>
Net balance at December 31, 2014	<u>\$ 491,938</u>	<u>\$ 590,776</u>	<u>\$ 1,485,307</u>	<u>\$ 9,381</u>	<u>\$ 43,971</u>	<u>\$ 43,350</u>	<u>\$ 2,664,723</u>

Construction in progress is mainly RTO project engineering .

The PPE held by the Group are depreciated on a straight-line basis over estimated useful lives as follows:

Buildings	
Office	20, 30 and 45-60 years
Plant	5-15, 20-40 and 45-60 years
Building improvements	5-40 and 45-60 years
Ancillary equipment	5-40 and 45-60 years
Machinery and equipment	
Main equipment	10-25 and 31-37 years
Ancillary equipment	3-20 and 25-40 years
Transportation equipment	5-10, 12 and 17 years
Other equipment	
Main equipment	2-17 and 20-26 years

## 15. INVESTMENT PROPERTIES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Completed IPs	<u>\$ 336,929</u>	<u>\$ 349,641</u>

In 2015, IP changed only for depreciation expense. The movement for the year ended December 31, 2014 was as follows:

		<b>Completed IPs</b>
<u>Cost</u>		
Balance at January 1, 2014		\$ 560,798
Disposals		<u>(3,703)</u>
Balance at December 31, 2014		<u>\$ 557,095</u>
<u>Accumulated depreciation</u>		
Balance at January 1, 2014		\$ 195,386
Depreciation expense		15,401
Disposals		<u>(3,333)</u>
Balance at December 31, 2014		<u>\$ 207,454</u>

The above items of IPs located at Fangliao and Jiadong Township in Pingtung County are available-for-sale and for rent.

The IPs held by the Group are depreciated on the straight-line basis over estimated useful lives as follows:

<b>Buildings</b>	
Administration and engineering centers	32-47 years
Main plant	12 years
Electrical and power equipment	8-9 years

The fair value of the Group's IPs as of December 31, 2015 and 2014 was NT\$511,929 thousand and NT\$511,572 thousand, respectively. The fair value had been arrived at on the basis of a valuation carried out on December 31, 2015 and September 30, 2013, respectively, by an independent qualified professional valuer not connected to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The management believes any change in the fair value of IPs within 2 years since the valuation date will not be material; thus, appraisal of IPs is conducted biennially.

## 16. GOODWILL

	<b>For the Year Ended December 31, 2014</b>
Balance at January 1	\$ 9,608
Impairment losses recognized in the year	<u>(9,608)</u>
Balance at December 31	<u>\$ -</u>

For the year ended December 31, 2014, the recoverable amount was determined based on a value in use and recognized an impairment loss of NT\$9,608 thousand.

## 17. SHORT-TERM BORROWINGS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<hr/>		
Secured borrowings (Note 31)		
Bank loans	\$ 62,565	\$ 56,902
<hr/>		
Unsecured borrowings		
Bank loans	107,652	94,804
Loans from third party	1,010	-
	<u>\$ 171,227</u>	<u>\$ 151,706</u>
Interest rate (%) - Secured borrowings	2.30-2.41	2.00
Interest rate (%) - Unsecured borrowings	0.00-2.30	2.02-2.25

The subsidiary, Sheng-Yu Trading (Dongguan) Corp., borrowed from third party amounting to NT\$1,010 thousand (RMB200 thousand) with no interest and repaid on January 4, 2016; the fund was used for short-term operating capital.

## 18. NOTES PAYABLE AND TRADE PAYABLES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<hr/>		
Notes payable		
Non-operating	<u>\$ 29</u>	<u>\$ 88</u>
<hr/>		
Trade payables		
Operating	<u>\$ 190,855</u>	<u>\$ 224,240</u>

Except for raw material hot rolled steel paid by letter of credit and raw material zinc and aluminum ingots paid in advance, the average credit period of other raw materials and supplies was within 3 months. The Group has financial risk management policies in place to ensure the all payables are paid within the pre-agreed credit terms. Thus, no interest was charged on the trade payables.

## 19. OTHER PAYABLES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Year-end bonus	\$ 141,257	\$ 142,991
Sales discounts	28,161	31,684
Electric power	24,033	27,976
		(Continued)

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Unused annual leave	\$ 20,223	\$ 18,148
Salaries	16,513	3,903
Bonus to employees (employees' compensation) and remuneration to directors and supervisors	7,240	8,535
Freight and harbor dues	2,482	43,975
Others	<u>78,762</u>	<u>82,793</u>
	<u>\$ 318,671</u>	<u>\$ 360,005</u> (Concluded)

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company and YI adopted a pension plan under the Labor Pension Act ("LPA"), which is a state-managed defined contribution plan. Under the LPA, the Company and YI make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Sheng-Shing (Dongguan) Corp. and Sheng-Yu Trading (Dongguan) Corp. adopted local legal which is also state-managed defined contribution plan. Entities make monthly employee insurance to government organization, in order to pay to employees when they retire.

### b. Defined benefit plans

The defined benefit plan adopted by the Company and YI in accordance with the Labor Standards Law ("LSL") is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and YI contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Present value of the defined benefit obligation	\$ 1,172,742	\$ 1,106,951
Fair value of the plan assets	<u>(139,597)</u>	<u>(113,099)</u>
Net defined benefit liability	<u>\$ 1,033,145</u>	<u>\$ 993,852</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2014	<u>\$ 1,049,970</u>	<u>\$ (140,465)</u>	<u>\$ 909,505</u>
Service cost			
Current service cost	19,161	-	19,161
Net interest expense (income)	<u>17,831</u>	<u>(2,437)</u>	<u>15,394</u>
Recognized in profit or loss	<u>36,992</u>	<u>(2,437)</u>	<u>34,555</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	219	219
Actuarial loss - change in financial assumptions	780	-	780
Actuarial loss - experience adjustments	<u>58,570</u>	<u>-</u>	<u>58,570</u>
Recognized in other comprehensive income	<u>59,350</u>	<u>219</u>	<u>59,569</u>
Contributions from the employer	<u>-</u>	<u>(9,777)</u>	<u>(9,777)</u>
Benefits paid	<u>(39,361)</u>	<u>39,361</u>	<u>-</u>
Balance at December 31, 2014	<u>1,106,951</u>	<u>(113,099)</u>	<u>993,852</u>
Service cost			
Current service cost	17,279	-	17,279
Net interest expense (income)	<u>18,789</u>	<u>(1,985)</u>	<u>16,804</u>
Recognized in profit or loss	<u>36,068</u>	<u>(1,985)</u>	<u>34,083</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,133)	(1,133)
Actuarial loss - change in financial assumptions	73,539	-	73,539
Actuarial gain - experience adjustments	<u>(3,652)</u>	<u>-</u>	<u>(3,652)</u>
Recognized in other comprehensive income	<u>69,887</u>	<u>(1,133)</u>	<u>68,754</u>
Contributions from the employer	<u>-</u>	<u>(58,405)</u>	<u>(58,405)</u>
Benefits paid	<u>(40,164)</u>	<u>35,025</u>	<u>(5,139)</u>
Balance at December 31, 2015	<u>\$ 1,172,742</u>	<u>\$ (139,597)</u>	<u>\$ 1,033,145</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating costs	\$ 20,996	\$ 21,293
Selling and marketing expenses	3,782	4,003

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
General and administrative expenses	\$ 5,786	\$ 5,667
Research and development expenses	<u>3,519</u>	<u>3,592</u>
	<u>\$ 34,083</u>	<u>\$ 34,555</u>
		(Concluded)

Through the defined benefit plans under the LSL, the Group is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rate (%)	1.0-1.5	1.7-2.2
Expected rate of salary increase (%)	2.0	2.0
Turnover rate (%)	0.0-0.1	0.0-0.1
Expected rate of return on plan assets (%)	1.0-1.5	1.7-2.2
Mortality rate	Based on 1989 Taiwan Standard Ordinary Experience Mortality Table	Based on 1989 Taiwan Standard Ordinary Experience Mortality Table

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase/decrease as follows:

	<b>December 31, 2015</b>
Discount rate	
1% increase	<u>\$ (103,115)</u>
1% decrease	<u>\$ 117,254</u>
Expected rate of salary increase	
1% increase	<u>\$ 102,480</u>
1% decrease	<u>\$ (92,656)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
The expected contributions to the plan for the next year	<u>\$ 788,926</u>	<u>\$ 10,146</u>
The average duration of the defined benefit obligation for the Company and YI	9 and 17 years	10 and 17 years

## 21. EQUITY

### a. Capital stock

Number of shares authorized (in thousands)	<u>450,000</u>
Shares authorized	<u>\$ 4,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>321,180</u>
Shares issued	<u>\$ 3,211,800</u>

### b. Capital surplus

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of capital stock	\$ 870,000	\$ 870,000
May not be used for any purpose		
Changes in capital surplus of investments in associate accounted for using equity method (Note 13)	<u>122,084</u>	<u>51,236</u>
	<u>\$ 992,084</u>	<u>\$ 921,236</u>

The capital surplus from shares issued in excess of par may be used to offset a deficit; in addition, when the Company has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital stock but subject to a specific limit once a year. The capital surplus arises from investments in



associate accounted for using equity method may not be used for any purpose.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that the annual net income less any deficit should be appropriated in the following order:

- 1) Appropriate 10% as legal reserve, unless the total accumulated legal reserve has already reached the amount of the Company's authorized capital.
- 2) Appropriate or reverse special reserve in accordance with regulation or for operational purpose.
- 3) The remaining net income after deducting the amounts appropriated under the above subparagraphs 1 to 2, or such balance plus the undistributed retained earnings of previous years are appropriated at the following rates: Up to 3% of the remaining net income, after offsetting prior year's deficit and after appropriating 10% as legal reserve, as remuneration to directors and supervisors, and at least 0.1% of the remaining net income, after offsetting prior year's deficit and after appropriating 10% as legal reserve, as bonus to employees.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on March 15, 2016 and subject to the resolution of the shareholders in their meeting to be held on June 15, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to g. Employee benefits expense in Note 23.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings and dividends per share for 2014 and 2013 had been approved in the shareholders' meetings in June 2015 and 2014, respectively; the details were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Legal reserve	\$ 43,523	\$ 51,198		
Cash dividends	<u>369,357</u>	<u>369,357</u>	\$1.15	\$1.15
	<u><u>\$ 412,880</u></u>	<u><u>\$ 420,555</u></u>		

The appropriations of earnings for 2015 had been proposed by the Company's board of directors on March 15, 2016. The appropriations of earnings and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Cash dividends	\$ 321,180	\$ 1

The appropriations of earnings for 2015 are subject to the resolution of the shareholders in their meeting to be held on June 15, 2016.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 42,620	\$ 23,512
Exchange differences arising on translating the financial statements of foreign operations	11,573	23,326
Related income tax	<u>(1,986)</u>	<u>(4,218)</u>
Balance at December 31	<u><u>\$ 52,207</u></u>	<u><u>\$ 42,620</u></u>

2) Unrealized gain (loss) on available-for-sale financial assets

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 17,970	\$ 16,549
Unrealized gain (loss) arising on revaluation of AFS financial assets	<u>(5,109)</u>	<u>1,421</u>
Balance at December 31	<u><u>\$ 12,861</u></u>	<u><u>\$ 17,970</u></u>

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 30,077	\$ 54,063
Attributable to non-controlling interests		
Share of profit (loss) for the year	1,560	(13,495)
Cash dividend	(554)	(1,109)
Exchange difference arising on translation of foreign entities	(1,538)	1,480
Remeasurement on defined benefit plans	(55)	-
Related income tax	9	-
Disposal of subsidiaries (Note 26)	<u>-</u>	<u>(10,862)</u>
Balance at December 31	<u><u>\$ 29,499</u></u>	<u><u>\$ 30,077</u></u>

## 22. OPERATING REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Revenue from the sale of goods	\$ 12,607,855	\$ 15,760,494
Other revenues	<u>284,237</u>	<u>422,116</u>
	<u><u>\$ 12,892,092</u></u>	<u><u>\$ 16,182,610</u></u>

## 23. PROFIT BEFORE INCOME TAX

Profit before income tax was arrived at after crediting or charging:

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Interest income	\$ 19,473	\$ 14,386
Rental income	35	100
Dividend income	<u>368</u>	<u>603</u>
	<u><u>\$ 19,876</u></u>	<u><u>\$ 15,089</u></u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Net foreign exchange gain	\$ 39,160	\$ 91,447
Gain on disposal of subsidiaries (Note 26)	-	2,493
Gain on financial assets designated as at FVTPL	568	1,240
Loss on financial liabilities designated as at FVTPL	(827)	(4,456)
Loss on disposal of property, plant and equipment	(5,441)	(4,723)
Impairment losses	-	(9,608)
Others	<u>(1,549)</u>	<u>3,064</u>
	<u><u>\$ 31,911</u></u>	<u><u>\$ 79,457</u></u>

The above net foreign exchange gain was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Foreign exchange gains	\$ 99,082	\$ 112,288
Foreign exchange losses	<u>(59,922)</u>	<u>(20,841)</u>
	<u><u>\$ 39,160</u></u>	<u><u>\$ 91,447</u></u>

c. Finance costs

**For the Year Ended December 31**  
**2015**                      **2014**

Interest on bank loans	\$ <u>3,676</u>	\$ <u>4,015</u>
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d. Impairment losses on financial assets

**For the Year Ended December 31**  
**2015**                      **2014**

Trade receivables impairment losses	\$ <u>-</u>	\$ <u>68</u>
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e. Depreciation and amortization

**For the Year Ended December 31**  
**2015**                      **2014**

Property, plant and equipment	\$ 270,004	\$ 308,476
Investment property	12,712	15,401
Intangible assets	<u>2,319</u>	<u>3,737</u>
	<u>\$ 285,035</u>	<u>\$ 327,614</u>

An analysis of depreciation by function

Operating costs	\$ 244,705	\$ 279,815
Operating expenses	<u>38,011</u>	<u>44,062</u>
	<u>\$ 282,716</u>	<u>\$ 323,877</u>

An analysis of amortization by function

Operating costs	\$ 22	\$ 67
Operating expenses	<u>2,297</u>	<u>3,670</u>
	<u>\$ 2,319</u>	<u>\$ 3,737</u>

f. Operating expenses directly related to IPs

**For the Year Ended December 31**  
**2015**                      **2014**

Direct operating expenses of investment properties that did not generate rental income	\$ <u>15,930</u>	\$ <u>18,253</u>
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g. Employee benefits expense

**For the Year Ended December 31**  
**2015**                      **2014**

Short-term employee benefits		
Salaries	\$ 651,017	\$ 655,365
Insurance	48,655	47,561
Others	<u>37,357</u>	<u>46,521</u>
	<u>737,029</u>	<u>749,447</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Post-employment benefits		
Defined contribution plans	\$ 14,220	\$ 13,434
Defined benefit plans (refer to Note 20)	<u>34,083</u>	<u>34,555</u>
	<u>48,303</u>	<u>47,989</u>
Termination benefits	<u>302</u>	<u>-</u>
	<u>\$ 785,634</u>	<u>\$ 797,436</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 476,066	\$ 485,729
Operating expenses	<u>309,568</u>	<u>311,707</u>
	<u>\$ 785,634</u>	<u>\$ 797,436</u>
		(Concluded)

The existing (2014) Articles of Incorporation of the Company stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates no less than 0.1% and no higher than 3%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were NT\$6,300 thousand and NT\$2,200 thousand, respectively, representing 1.6% and 0.6%, respectively, of the base net income. To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 0.1% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were NT\$5,800 thousand and NT\$1,440 thousand, respectively, representing 9.1% and 2.3%, respectively, of the base net profit. The bonus to employees and remuneration to directors and supervisors for the year ended December 31, 2015 were approved by the Company's board of directors on March 15, 2016 and will be reported to the shareholders after the amended Articles of Incorporation of the Company is resolved by the shareholders in their meeting to be held on June 15, 2016. Material differences between such estimated amounts and the amounts approved by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 had been approved in the shareholders' meetings in June 2015 and 2014, respectively; the details were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Bonus to employees	\$ 6,300	\$ 9,400
Remuneration to directors and supervisors	2,200	3,000

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors for the years ended December 31, 2014 and 2013, respectively.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2016 and on the bonus to employees, directors and supervisors

resolved in the shareholders' meeting in 2015 and 2014 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

h. Impairment losses on non-financial assets

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Goodwill (included within other gains and losses)	<u>\$ -</u>	<u>\$ 9,608</u>
Inventories (included within operating costs)	<u>\$ 16,872</u>	<u>\$ 39,010</u>

## 24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax		
In respect of the current year	\$ 140,646	\$ 171,160
Income tax on unappropriated earnings	89	9,819
Adjustment for prior years	3,753	3,953
Sources of income withholding tax in mainland China	820	2,552
Deferred tax		
In respect of the current year	<u>2,527</u>	<u>(5,060)</u>
	<u>\$ 147,835</u>	<u>\$ 182,424</u>

A reconciliation of accounting profit and current income tax expenses was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Profit before income tax	<u>\$ 57,447</u>	<u>\$ 604,163</u>
Income tax expense calculated at the statutory rate	\$ 11,016	\$ 106,111
Nondeductible expenses in determining taxable income	309	456
Income tax on unappropriated earnings	89	9,819
Loss carryforwards used	(1,701)	-
Unrecognized deductible temporary differences	133,549	59,533
Adjustments for prior years	3,753	3,953
Sources of income withholding tax in mainland China	<u>820</u>	<u>2,552</u>
	<u>\$ 147,835</u>	<u>\$ 182,424</u>

The temporary difference above were mainly investments in associates for using the equity method.

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<hr/>		
Deferred tax		
In respect of the current year		
Translation of foreign operations	\$ (1,986)	\$ (4,218)
Remeasurement on defined benefit plan	<u>11,688</u>	<u>10,127</u>
	<u>\$ 9,702</u>	<u>\$ 5,909</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<hr/>		
Current tax assets		
Tax refund receivable	<u>\$ 302</u>	<u>\$ 164</u>
Current tax liabilities		
Income tax payable	<u>\$ 50,548</u>	<u>\$ 108,423</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2015

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<hr/>				
Deferred Tax Assets				
Temporary differences				
Allowance for reduction of inventory to market	\$ 5,242	\$ (2,918)	\$ -	\$ 2,324
Defined benefit obligation	168,429	(4,268)	11,688	175,849
Depreciation tax difference	34,730	776	-	35,506
Unrealized sales discounts	3,877	910	-	4,787
Others	<u>6,452</u>	<u>2,575</u>	<u>-</u>	<u>9,027</u>
	<u>\$ 218,730</u>	<u>\$ (2,925)</u>	<u>\$ 11,688</u>	<u>\$ 227,493</u>
<hr/>				
Deferred Tax Liabilities				
Temporary differences				
Land value increment tax	\$ (48,432)	\$ -	\$ -	\$ (48,432)
Unrealized gain on foreign currency exchange	(1,044)	769	-	(275)
Others	<u>(11,084)</u>	<u>(371)</u>	<u>(1,986)</u>	<u>(13,441)</u>
	<u>\$ (60,560)</u>	<u>\$ 398</u>	<u>\$ (1,986)</u>	<u>\$ (62,148)</u>

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Allowance for reduction of inventory to market	\$ 4,302	\$ 940	\$ -	\$ 5,242
Defined benefit obligation	157,683	4,218	6,528	168,429
Depreciation expense	34,824	(94)	-	34,730
Unrealized sales discounts	2,458	1,419	-	3,877
Others	<u>8,096</u>	<u>(1,644)</u>	<u>-</u>	<u>6,452</u>
	<u>\$ 207,363</u>	<u>\$ 4,839</u>	<u>\$ 6,528</u>	<u>\$ 218,730</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Land value increment tax	\$ (48,432)	\$ -	\$ -	\$ (48,432)
Unrealized gain on foreign currency exchange	(1,041)	(3)	-	(1,044)
Actuarial gain and loss arising from defined benefit plans	(3,599)	-	3,599	-
Others	<u>(7,090)</u>	<u>224</u>	<u>(4,218)</u>	<u>(11,084)</u>
	<u>\$ (60,162)</u>	<u>\$ 221</u>	<u>\$ (619)</u>	<u>\$ (60,560)</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2015	2014
Loss carryforwards		
Expire in 2019	\$ 380	\$ 380
Expire in 2018	6,077	6,866
Expire in 2017	<u>-</u>	<u>5,789</u>
	<u>\$ 6,457</u>	<u>\$ 13,035</u>
Deductible temporary differences		
Loss on investments in subsidiaries and associate accounted for using the equity method	<u>\$ 1,453,869</u>	<u>\$ 645,883</u>

- f. Integrated income tax related information

	<u>December 31</u>	
	2015	2014
Unappropriated earnings		
Generated before January 1, 1998	\$ 718,562	\$ 718,562
Generated on and after January 1, 1998	<u>1,286,592</u>	<u>1,848,440</u>
	<u>\$ 2,005,154</u>	<u>\$ 2,567,002</u>
Imputation credits account ("ICA")	<u>\$ 565,135</u>	<u>\$ 498,242</u>



The creditable ratio for distribution of earnings of 2015 and 2014 was 46.21% (expected ratio) and 33.01%, respectively.

The actual imputation credits allocated to shareholders of the Company are based on the balance of the ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

g. Income tax assessments

The Company's and YI's income tax returns through 2013 have been assessed by the tax authorities.

## 25. EARNINGS (LOSS) PER SHARE

The net profit (loss) and weighted average number of ordinary shares outstanding used in the computation of earnings (loss) per share were as follows:

Net Profit (Loss) for the Year

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Profit (loss) for the year attributable to owners of the Company	\$ (91,948)	\$ 435,234

Weighted average number of ordinary shares outstanding (in thousand shares)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	321,180	321,180
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonus issue to employees	-	491
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>321,180</u>	<u>321,671</u>

The Company had net loss for the year ended December 31, 2015; hence, diluted loss per share was the same as basic loss per share.

Since the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 26. DISPOSAL OF SUBSIDIARIES

YBMH issued new shares in August 2014 but the Company did not participate in YBMH's capital increase in cash so the ownership decreased from 51.85% to 20.90%. Since September 1, 2014, the Group lost control of YBMH and deems it disposal of subsidiary so the investment was accounted for using equity method.

- a. Consideration received from the disposal

**August 31, 2014**

Fair value of the remaining investment \$ 11,695

- b. Analysis of assets and liabilities on the date control was lost

**August 31, 2014**

Current assets	<u>\$ 4,373</u>
Cash and cash equivalents	
Trade receivables	
Trade receivables	23,598
Less: Allowance for impairment loss	<u>(2,939)</u>
	20,659
Inventories	31,708
Prepayments	3,424
Other receivable	<u>1,921</u>
	<u>62,085</u>
Non-current assets	
Property, plant and equipment	4,401
Other assets	<u>18</u>
	<u>4,419</u>
Current liabilities	
Short-term borrowings	(14,509)
Trade payables	(18,583)
Other payables	(184)
Receipts in advance	<u>(10,671)</u>
	<u>(43,947)</u>
Net assets disposed of	<u>\$ 22,557</u>

- c. Gain on disposal of subsidiary

**For the Year Ended  
December 31, 2014**

Consideration received	\$ 11,695
Net assets disposed of	(22,557)
Non-controlling interests (Note 21)	10,862
Reclassification of other comprehensive income in respect of the subsidiary	<u>2,493</u>
Gain on disposal	<u>\$ 2,493</u>

## 27. NON-CASH TRANSACTIONS

For the years ended December 31, 2015 and 2014, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>INVESTMENT ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of PPE	\$ 236,784	\$ 143,805
Increase (Decrease) in prepayment for equipment purchased	(43,116)	21,835
Decrease (Increase) in payable for equipment purchased	<u>9,339</u>	<u>(3,921)</u>
Cash paid for acquisition of PPE	<u>\$ 203,007</u>	<u>\$ 161,719</u>

## 28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategies are unchanged in the recent 2 years.

The capital structure of the Group consists of equity attributable to owners of the company (comprising capital stock, capital surplus, retained earnings and other equity items).

The Group is not subject to any externally imposed capital requirements.

## 29. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

The Group's management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

- b. Fair value of financial instruments that are measured at fair value

- 1) Fair value hierarchy

	<b>Level 3</b>
<u>December 31, 2015</u>	
AFS financial assets	
Unlisted securities - ROC Equity securities	\$ 6,100
Unlisted securities - Other countries Equity securities	<u>38,171</u>
	<u>\$ 44,271</u>
<u>December 31, 2014</u>	
AFS financial assets	
Unlisted securities - ROC Equity securities	\$ 6,648
Unlisted securities - Other countries Equity securities	<u>42,732</u>
	<u>\$ 49,380</u>

2) Reconciliation of Level 3 fair value measurements of financial instruments

	<b>Available-for-sale Financial Assets</b>	
	<b>For the Year ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 49,380	\$ 47,959
Total gains or losses		
In other comprehensive income	<u>(5,109)</u>	<u>1,421</u>
Balance at December 31	<u><u>\$ 44,271</u></u>	<u><u>\$ 49,380</u></u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were estimated by the observable market price or net value.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Financial assets</b>		
Loans and receivables 1)	\$ 4,731,118	\$ 4,027,285
AFS financial assets	44,271	49,380
<b>Financial liabilities</b>		
Measured at amortized cost 2)	760,353	853,173

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables, and other financial assets (including current and non-current), and refundable deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables (including related parties), other payables, guarantee deposits, and provisions (including current and non-current).

d. Financial risk management objectives and policies

The Group's major financial instruments include repurchase agreements collateralized by bills and bonds, equity investments, trade receivable, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, manages the Group entities' capital and foreign exchange risk and financial risk. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into forward foreign exchange contracts to manage its exposure to foreign currency risk.

There was no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 54% of the Group's sales were denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 40% of costs were denominated in the group entity's functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Group was mainly exposed to the foreign currency USD and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against USD and RMB, respectively. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number in the table below indicates an increase in pre-tax profit and other comprehensive income associated with New Taiwan dollars if it strengthened by 1% against USD and RMB, respectively. For a 1% weakening of New Taiwan dollars against USD and RMB, respectively, there would be an equal and opposite impact on pre-tax profit and other comprehensive income and the balances in the table below would be negative.

	<b>Amount</b>	
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<hr/>		
Impact of USD		
<hr/>		
Profit or loss	\$ 4,456	\$ 8,943
<hr/>		
Impact of RMB		
<hr/>		
Other comprehensive income	1,697	7,114

b) Interest rate risk

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Fair value interest rate risk		
Financial assets	\$ 3,730,335	\$ 2,462,052
Cash flow interest rate risk		
Financial assets	415,711	647,737
Financial liabilities	170,217	151,706

#### Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for financial assets at the end of the reporting period. For floating rate net assets, the analysis was prepared assuming the amount of the net assets outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2015 and 2014 would increase/decrease by NT\$4,157 thousand and NT\$6,477 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

## 3) Liquidity risk

The Group manages liquidity risk by maintaining a sufficient level of cash and cash equivalents to meet the Group's operational demand and mitigate the effects of fluctuations in cash flows.

#### Liquidity risk tables

The following tables detail the Group's remaining contractual maturity of its non-derivative liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flow of financial liabilities from the earliest date on which the Group can be required to pay.

	<b>Less Than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>&gt;1 Year</b>	<b>Total</b>
<hr/> December 31, 2015 <hr/>				
Non-derivative financial liability				
Non-interest bearing	\$ 587,424	\$ -	\$ 4,788	\$ 592,212
Variable interest rate liabilities	<u>72,949</u>	<u>98,395</u>	<u>-</u>	<u>171,344</u>
	<u>\$ 660,373</u>	<u>\$ 98,395</u>	<u>\$ 4,788</u>	<u>\$ 763,556</u>
<hr/> December 31, 2014 <hr/>				
Non-derivative financial liability				
Non-interest bearing	\$ 697,326	\$ -	\$ 6,142	\$ 703,468
Variable interest rate liabilities	<u>53,924</u>	<u>98,687</u>	<u>-</u>	<u>152,611</u>
	<u>\$ 751,250</u>	<u>\$ 98,687</u>	<u>\$ 6,142</u>	<u>\$ 856,079</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

### 30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides as disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

#### a. Trading transactions

<b>Line Items</b>	<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
		<b>2015</b>	<b>2014</b>
Sales of goods	Institutional director and supervisor	\$ -	\$ 21,768
	Associate	42	21,674
	Other related party - Subsidiary of the subsidiary's key management	<u>1,361</u>	<u>4,474</u>
		<u>\$ 1,403</u>	<u>\$ 47,916</u>
Service Revenue	Associate	\$ 36,303	\$ 38,254
	Other related party - Subsidiary of the subsidiary's key management	<u>5,658</u>	<u>8,501</u>
		<u>\$ 41,961</u>	<u>\$ 46,755</u>
Purchases of goods	Parent Company	\$ 1,158	\$ -
	Institutional director and supervisor	782,777	1,197,079
	Associate	-	88,774
	Other related party - The responsible party is an institutional director of the Company	<u>12,162</u>	<u>14,023</u>
		<u>\$ 796,097</u>	<u>\$ 1,299,876</u>

The sales or purchase prices of the above transactions were similar to those with third parties, except the prices of part of products purchased from institutional directors - Yung Chi Paint & Varnish Mfg Co., Ltd., which have no third parties to compare with. The credit terms of the transactions are ten days to three months.

Under the terms of the technical support service agreement entered into between the Company and YSS, the service fees are determined and collected on cost-plus basis and recognized as service revenue.

Trade receivables from related parties at the balance sheet date were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Related Parties Categories</u>		
Associate	\$ 31,870	\$ 20,431
Other related party - Subsidiary of the subsidiary's key management	<u>2,818</u>	<u>3,261</u>
	<u><u>\$ 34,688</u></u>	<u><u>\$ 23,692</u></u>

Trade payables to related parties at the balance sheet date were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Related Parties Categories</u>		
Institutional director and supervisor	\$ 73,709	\$ 109,594
Other related party - The responsible party is an institutional director of the Company	<u>1,361</u>	<u>1,290</u>
	<u><u>\$ 75,070</u></u>	<u><u>\$ 110,884</u></u>

The outstanding trade payables to related parties are unsecured and will be paid by cash, and no guarantee had been received for receivables from related parties. No impairment loss was recognized for the years ended December 31, 2015 and 2014 on receivables from related parties.

b. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Short-term employee benefits	\$ 22,674	\$ 22,682
Post-employment benefits	<u>1,411</u>	<u>1,197</u>
	<u><u>\$ 24,085</u></u>	<u><u>\$ 23,879</u></u>

c. Other transactions with related parties

Under the terms of the technical cooperation agreement entered into between the Company and parent company, for the period from year 2013 to the end of year 2015, the Company should calculate and pay semi-annually technical service fees to parent company for providing technical assistance under the agreement.



Information about service fees was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating costs	<u>\$ 4,940</u>	<u>\$ 4,652</u>

Also, YI has technical service agreement with YSW; under the terms of the agreement, YI should calculate semi-annually on constant rate of operating revenue and pay to YSW.

Information about service fees was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating expenses	<u>\$ 1,233</u>	<u>\$ 1,422</u>

Other payables to related parties at the balance sheet date were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<hr/>		
Related Parties Categories		
Other payables		
YSW	<u>\$ 1,443</u>	<u>\$ 1,235</u>

d. Significant lease

Sheng-Shing (Dongguan) Corp. leased premises from other related party as plant and office which will end on November 30, 2016; the rent expense paid monthly was NT\$5,686 thousand (RMB1,116 thousand) and NT\$5,546 thousand (RMB1,126 thousand) for the years ended December 31, 2015 and 2014, respectively.

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for natural gas purchase contract and for bank financing credits. The pledged assets recognized as other financial assets - current or noncurrent by guarantee purpose were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Current		
Reserve account	\$ 3,283	\$ -
Pledged time deposits	5,909	5,697
Noncurrent		
Pledged time deposits	36,500	60,000

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments of the Group as of December 31, 2015 were as follows:

- a. As of December 31, 2015 unused letters of credit for purchases of raw materials amounted to approximately NT\$384,524 thousand.
- b. As of December 31, 2015 outstanding construction contracts for YI aggregated approximately NT\$127,126 thousand.

### 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is disclosure of the foreign currencies other than the functional currencies of the Group entities and the exchange rates between the foreign currencies and respective functional currencies; the information shows the significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<hr/> December 31, 2015 <hr/>				
Assets				
Monetary items				
USD	\$ 14,406	32.825	(USD:NTD)	\$ 472,877
USD	5,190	6.4936	(USD:RMB)	170,362
Non-monetary items				
Investments accounted for using equity method				
RMB	33,977	4.995	(RMB:NTD)	169,717
Liabilities				
Monetary items				
USD	6,022	6.4936	(USD:RMB)	197,672
<hr/> December 31, 2014 <hr/>				
Assets				
Monetary items				
USD	28,653	31.65	(USD:NTD)	906,867
USD	3,407	6.119	(USD:RMB)	107,832
Non-monetary items				
Investments accounted for using equity method				
RMB	139,865	5.086	(RMB:NTD)	711,352
Liabilities				
Monetary items				
USD	3,803	6.119	(USD:RMB)	120,365
JPY	13,881	0.2646	(JPY:NTD)	3,673

The Group is mainly exposed to USD. The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant foreign exchange gains (losses) were as follows:

Foreign Currencies	For the Year Ended December 31, 2015		For the Year Ended December 31, 2014	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	31.795 (USD:NTD)	\$ (28)	30.273 (USD:NTD)	\$ 4
NTD	1 (NTD:NTD)	40,180	1 (NTD:NTD)	92,017
RMB	5.096 (RMB:NTD)	(992)	4.927 (RMB:NTD)	(574)
		<u>\$ 39,160</u>		<u>\$ 91,447</u>

### 34. SEPARATELY DISCLOSED ITEMS

#### a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held. (Table 2)
- 4) Marketable securities acquired and disposed at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 8) Trade receivables from related parties of at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 7)
- 11) Information on investees. (Table 5)

#### b. Information on investments in Mainland China

- 1) Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gain or loss, and limit on the amount of investment in the Mainland China area. (Table 6)
- 2) Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

	<b>Amount</b>	<b>Account for %</b>
Sales	\$ 42,897	-
Receivables from related parties	20,446	4

- c) The amount of property transactions and the amount of the resultant gains or losses. (None)
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (Note 30, a. Service Revenue)

### 35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Sheng Yu Steel Co., Ltd. (Sheng Yu) - manufactures and sells galvanized steel coils and pre-painted galvanized steel coils.

Others - subsidiaries referred to in Note 12 which do not reach the quantitative threshold are considered as operating segments.

#### a. Segment revenues and results

The following was an analysis of the Group's revenue and results from operations by reportable segment.

	<b>Sheng Yu</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Consolidated Amount</b>
For the year ended December 31, 2015				
Revenue generated from third parties	\$ 12,406,835	\$ 485,257	\$ -	\$ 12,892,092
Revenue generated from the Group	<u>84,316</u>	<u>352,448</u>	<u>(436,764)</u>	<u>-</u>
Subtotal	<u>\$ 12,491,151</u>	<u>\$ 837,705</u>	<u>\$ (436,764)</u>	<u>\$ 12,892,092</u>

(Continued)

	Sheng Yu	Others	Adjustment and Elimination	Consolidated Amount
Segment income	<u>\$ 805,299</u>	<u>\$ 9,983</u>	<u>\$ 1,080</u>	\$ 816,362
Interest revenue				19,473
Finance costs				(3,676)
Share of net loss of associates accounted for using the equity method				(807,026)
Other nonoperating income and expenses				<u>32,314</u>
Profit before tax				57,447
Income tax expense				<u>(147,835)</u>
Net loss for the year				<u>\$ (90,388)</u>
Identifiable assets	\$ 9,178,756	\$ 396,625	\$ (108,327)	\$ 9,467,054
Investment accounted for using equity method	<u>224,051</u>	<u>15,560</u>	<u>(54,334)</u>	<u>185,277</u>
Total assets	<u>\$ 9,402,807</u>	<u>\$ 412,185</u>	<u>\$ (162,661)</u>	<u>\$ 9,652,331</u>
Total liabilities	<u>\$ 1,711,373</u>	<u>\$ 311,013</u>	<u>\$ (90,988)</u>	<u>\$ 1,931,398</u>
For the year ended December 31, 2014				
Revenue generated from third parties	\$ 15,698,647	\$ 483,963	\$ -	\$ 16,182,610
Revenue generated from the Group	<u>75,978</u>	<u>16,693</u>	<u>(92,671)</u>	<u>-</u>
Subtotal	<u>\$ 15,774,625</u>	<u>\$ 500,656</u>	<u>\$ (92,671)</u>	<u>\$ 16,182,610</u>
Segment income (loss)	<u>\$ 881,870</u>	<u>\$ (11,389)</u>	<u>\$ 1,490</u>	\$ 871,971
Interest revenue				14,386
Finance costs				(4,015)
Share of net loss of associates accounted for using the equity method				(358,339)
Other nonoperating income and expenses				<u>80,160</u>
Profit before tax				604,163
Income tax expense				<u>(182,424)</u>
Net profit for the year				<u>\$ 421,739</u>
Identifiable assets	\$ 9,227,091	\$ 344,275	\$ (92,821)	\$ 9,478,545
Investment accounted for using equity method	<u>769,131</u>	<u>13,301</u>	<u>(57,975)</u>	<u>724,457</u>
Total assets	<u>\$ 9,996,222</u>	<u>\$ 357,576</u>	<u>\$ (150,796)</u>	<u>\$ 10,203,002</u>
Total liabilities	<u>\$ 1,861,789</u>	<u>\$ 253,086</u>	<u>\$ (76,383)</u>	<u>\$ 2,038,492</u>
				(Concluded)

b. Other segment information

Other information reviewed by the chief operating decision maker or regularly provided to the chief operating decision maker was as following:

	<b>Depreciation and amortization</b>		<b>Amounts of additions to non-current assets</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Sheng Yu	\$ 270,841	\$ 312,858	\$ 193,192	\$ 165,468
Other	<u>14,194</u>	<u>14,756</u>	<u>686</u>	<u>172</u>
	<u>\$ 285,035</u>	<u>\$ 327,614</u>	<u>\$ 193,878</u>	<u>\$ 165,640</u>

Note: Non-current assets exclude financial instruments and deferred tax assets.

c. Revenue from major products and services

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Galvanized steel coils	\$ 6,865,758	\$ 8,478,550
Pre-painted galvanized steel coils	5,265,939	6,540,053
Other steel products	476,158	741,891
Services	58,712	80,615
Construction	64,829	88,308
Others	<u>160,696</u>	<u>253,193</u>
	<u>\$ 12,892,092</u>	<u>\$ 16,182,610</u>

d. Geographical information

The Group operates in two principal geographical areas - Taiwan and Asia.

The Group's revenue from external customers by customers' location and information about its non-current assets by location of assets are detailed below:

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Taiwan	\$ 6,016,514	\$ 7,086,619	\$ 3,038,180	\$ 3,020,632
Europe and America	4,526,339	6,379,332	-	-
Asia	1,762,506	2,327,578	38,268	51,084
Others	<u>586,733</u>	<u>389,081</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,892,092</u>	<u>\$ 16,182,610</u>	<u>\$ 3,076,448</u>	<u>\$ 3,071,716</u>

Non-current assets exclude financial instruments and deferred tax assets.

e. Information about major customers

No other single customers contributed 10% or more to the Group's revenue for both 2015 and 2014.

TABLE 1

SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year (US\$ in Thousands)	Ending Balance (US\$ in Thousands)	Actual Borrowing Amount (US\$ in Thousands)	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrower (Note 2)	Aggregate Financing Limits (Note 3)
													Item	Value (US\$ in Thousands)		
0	SYSCO	YI	Other receivables	Y	\$ 11,000	\$ 11,000	\$ 11,000	1.233-1.385	Short-term financing	\$ -	Operating capital	\$ -	Promissory notes	\$ 11,000	\$ 769,143	\$ 1,538,287
0	SYSCO	SS	Other receivables	Y	98,475 ( US\$ 3,000 ) (Note 1)	49,238 ( US\$ 1,500 ) (Note 1) <u>\$ 60,238</u>	49,238 ( US\$ 1,500 ) (Note 1) <u>\$ 60,238</u>	1.233-1.385	Short-term financing	-	Operating capital	-	Promissory notes	49,238 (US\$ 1,500) (Note 1)	769,143	1,538,287

Note 1: The exchange rates were USD1 : NTD32.825 at balance sheet date.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of SYSCO.

Note 3: The total amount available for lending purpose shall not exceed twenty percent (20%) of the net worth of SYSCO.

Note 4: The actual borrowing amounts were eliminated in full upon consolidation.

**TABLE 2**

## SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD DECEMBER 31, 2015

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
SYSCO	<u>Stock</u>							
	Ascentek Venture Capital Co., Ltd.	-	Available-for-sale financial assets - non-current	392,000	\$ 6,100	1	\$ 6,100	
	United Steel International Development Co.	-	Available-for-sale financial assets - non-current	1,000,000	38,171	2	38,171	
					<u>\$ 44,271</u>		<u>\$ 44,271</u>	

Note: Information on investment in subsidiaries and associates, please refer to Tables 5 and 6.



**TABLE 3****SHENG YU STEEL CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2015**

**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable	
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
SYSCO	Yung Chi Paint & Varnish Mfg Co., Ltd	Director	Purchase	\$ 393,229	4	three months	Note 30	-	\$ (73,709)	(29 )
	Toyota Tsusho Corporation	Director	Purchase	380,721	4	ten days	\$ -	-	-	-
SS	Sheng-Shing (Dongguan) Corp.	Subsidiary	Sale	(314,179) (Note)	(2 )	one month	-	-	163,941 (Note)	39

Note: The amount was eliminated in full upon consolidation.

**TABLE 4**

**SHENG YU STEEL CO., LTD. AND SUBSIDIARIES**

**TRADE RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**DECEMBER 31, 2015**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
SS	Sheng-Shing (Dongguan) Corp.	Subsidiary	\$ 163,941	2.25	\$ -		\$ -	\$ -

Note: The amount was eliminated in full upon consolidation.

**TABLE 5**

**SHENG YU STEEL CO., LTD. AND SUBSIDIARIES**

**INFORMATION OF INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2015			Net Income (Loss) of the Investee (US\$ in Thousands)	Share of Profit (Loss) (US\$ in Thousands)	Note
				December 31, 2015 (US\$ in Thousands)	December 31, 2014 (US\$ in Thousands)	Shares	%	Carrying Amount (US\$ in Thousands)			
SYSCO	YI	Kaohsiung, Taiwan	Processing steel, engineering, procurement and construction	\$ 19,607	\$ 19,607	1,945,750	78	\$ 42,705	\$ (242)	\$ 622	Subsidiary
	SS	Republic of Mauritius	Processing and selling galvanized steel coils (plates)	50,322 (US\$ 1,569)	50,322 (US\$ 1,569)	1,665,000	45	11,629 (US\$ 354)	3,320 (US\$ 104)	1,494 (US\$ 47)	Subsidiary
YI	Yodoko International (HK) Ltd.	Hong Kong	Investment	9,702 (US\$ 285)	9,702 (US\$ 285)	2,200,000	100	15,732 (US\$ 479)	2,454 (US\$ 77)	2,454 (US\$ 77)	Subsidiary

Note 1: Information on investments in Mainland China, please refer to Table 6.

Note 2: The amounts were eliminated in full upon consolidation.

TABLE 6

## SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2015 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015 (US\$ in Thousands)	Net Income (Loss) of the Investee (US\$ and RMB in Thousands)	Percentage of Ownership (%)	Share of Profit/Losses (US\$ and RMB in Thousands)	Carrying Amount as of December 31, 2015 (US\$ and RMB in Thousands) (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow (US\$ in Thousands)	Inflow						
YBMH	Manufacturing and selling metal architectural materials	US\$ 1,340	Note 1	\$ 9,514 ( US\$ 280)	\$ -	\$ -	\$ 9,514 ( US\$ 280)	\$ 11,746 ( US\$ 369)	16	\$ 2,454 ( US\$ 77)	\$ 15,560 ( US\$ 474)	\$ -
Sheng-Shing (Dongguan) Corp.	Processing and selling galvanized steel coils (plates)	US\$ 3,241	Note 2	50,752 ( US\$ 1,596) (Note 7)	-	-	50,752 ( US\$ 1,596) (Note 7)	5,179 ( US\$ 163)	45	2,331 ( US\$ 73)	31,337 ( US\$ 955)	-
Sheng-Yu Trading (Dongguan) Corp.	Selling hardware, steels and import and export trading	US\$ 400	Note 2	12,000 ( US\$ 400) (Note 8)	-	-	12,000 ( US\$ 400) (Note 8)	359 ( US\$ 11)	45	162 ( US\$ 5)	5,615 ( US\$ 171)	-
YSS	Manufacturing, processing and selling galvanized steel coils (plates) and pre-painted steel coils (plates)	US\$ 130,000	Note 3	1,204,920 ( US\$ 40,000)	183,720 (US\$ 6,000)	-	1,388,640 ( US\$ 46,000)	(2,257,630) ( RMB -438,153)	Note 9	(809,480) ( RMB -157,112) (Note 6)	169,717 ( RMB 33,977)	-

Accumulated Investment in Mainland China as of December 31, 2015 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (Note 5)
\$1,453,796 (US\$48,056)	\$1,494,121 (US\$48,061)	\$4,614,860

Note 1: Investments were made through a holding company registered in a third region, Yodoko International (HK) Ltd.

Note 2: Investments were made through a holding company registered in a third region, Sheng-Shing Corp.

Note 3: SYSCO directly invested in companies located in Mainland China

Note 4: The exchange rates were USD1 : NTD32.825 and RMB1 : NTD4.995 at balance sheet date.

Note 5: The maximum amount that can be invested shall not exceed sixty percent (60%) of the net worth of SYSCO, in accordance with the “Principles Governing the Review of Investments or Technical Cooperation in Mainland China” issued by the Investment Commission.

Note 6: Amount was recognized based on the financial statements audited by an international accounting firm with cooperation relationships with the accounting firm in the Republic of China.

Note 7: Including SS’s investment in Sheng-Shing (Dongguan) by bank financing US\$198 thousand (US\$441 thousand × 45%).

Note 8: Including SS’s investment in Sheng-Yu Trading (Dongguan) by bank financing US\$180 thousand (US\$400 thousand × 45%).

Note 9: The original percentage of ownership was 40%, the Company had not participated in the capital increase by cash at its original shareholding percentage for YSS in 2015; thus, the percentage of ownership decreased to 35%.

Note 10: Except for YBMH and YSS, the other amounts were eliminated in full upon consolidation.

**TABLE 7**

**SHENG YU STEEL CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer / Seller	Related Party	Relationship	Transaction Details			
			Financial Statement Account	Amount	Payment Terms	% to Total Operating Revenue or Total Assets
SYSCO	YI	Parent company on behalf of subsidiaries	Trade receivables	\$ 8,018	Similar to those with third parties	-
			Other receivables	11,080	Based on the commitment	-
			Other payable	1,967	Similar to those with third parties	-
			Operating revenue	38,232	Similar to those with third parties	-
	SS	Parent company on behalf of subsidiaries	Trade receivables	20,621	Similar to those with third parties	-
			Other receivables	49,300	Based on the commitment	1
			Operating revenue	46,084	Similar to those with third parties	-
SS	Sheng - Shing (Dongguan)	Parent company on behalf of subsidiaries	Trade receivables	163,941	Based on the commitment	2
			Operating revenue	314,179	Based on the commitment	2
YI	SYSCO	Subsidiaries on behalf of parent company	Trade receivables	1,504	Based on the commitment	-
			Operating revenue	34,179	Based on the commitment	-